

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04 TRSE-00

LAB-04 SIL-01 SAM-01 OMB-01 AGR-05 TAR-01 L-02 H-02

NSC-05 SS-15 SSO-00 NSCE-00 USIE-00 INRE-00 PRS-01

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O 121315Z APR 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC NIACT IMMEDIATE 8657

INFO ALL EC CAPITALS IMMEDIATE 537

AMEMBASSY MOSCOW IMMEDIATE

LIMITED OFFICIAL USE SECTION 1 OF 2 EC BRUSSELS 3272

MOSCOW FOR SECY, SIMON - PARIS FOR UNDER SECY ROBINSON & ENDERS

E.O. 11652: NA

TAGS: ETRD, EEC

SUBJECT: EC CHEESE COUNTERVAILING PROBLEM

REF: STATE 84066

1. SUMMARY. AMBASSADOR GREENWALD INFORMED SOAMES THAT LATEST COMMISSION OFFER ON CHEESE IS CONSIDERED UNWORKABLE BY USG, AND THAT USG URGED RECONSIDERATION OF THE US PROPOSAL OF APRIL 5. SOAMES WAS ALSO INFORMED THAT APPROACHES ARE BEING MADE TO MEMBER STATES URGING THEM TO ACCEPT THE US PROPOSAL, AND THE POINTS GIVEN IN PARA 3 OF REFTEL WERE CONVEYED TO HIM. SOAMES ARGUED THAT THE US PROPOSAL INVOLVED ENDING RESTITUTIONS ON 66 PERCENT, NOT 40 PERCENT, OF EC CHEESE EXPORTS; THAT THE EC COMMISSION WAS CONVINCED THAT ITS SYSTEM OF DIFFERENTIATING BETWEEN LOW AND HIGH GRADE EMMENTHALER/GRUYERE WAS WORKABLE; AND QUERIED WHETHER WORKABILITY WAS

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IN FACT THE ISSUE.HE SAID HE INTENDED TO PRESENT TO THE

EC COUNCIL OF MINISTERS ON APRIL 14 A HISTORY OF THE CASE SINCE LAST JULY, AND INFORM THE COUNCIL THAT THE COMMISSION POSITION IS THAT THE EC SHOULD GO NO FURTHER THAN ITS APRIL 11 OFFER. END SUMMARY.

2. AMBASSADOR GREENWALD MET WITH SIR CHRISTOPHER SOAMES AT NOON ON SATURDAY, APRIL 2; SOAMES, THE RANKING EC COMMISSIONER IN THE ABSENCE IN DUBLIN OF PRESIDENT ORTILI, WAS GENERALLY AWARE OF THE PURPOSE OF THE AMBASSADOR'S VISIT, AND WAS DISCUSSING THE SITUATION BY PHONE WITH ORTOLI WHEN WE ARRIVED.

3. WE WENT THROUGH THE POINTS IN REFTEL WITH SOAMES IN DETAIL, COVERING BOTH THE DEMARCHE TO THE COMMISSION (PARA 1), THE FACT THAT APPROACHES ARE BEING MADE TO MEMBER STATES (PARA 2), AND THE ARGUMENTS BEING MADE TO MEMBER STATES (PARA 3).

4. SOAMES, AFTER STATING THAT IT WOULD BE A GREAT MISTAKE IF THE TWO SIDES WERE TO BEGIN A TRADE WAR, WHOSE UNTIMATE RESULT COULD NOT BE FORESEEN, MADE THE FOLLOWING SPECIFIC RESPONSES:

A. HE SHARPLY QUESTIONED THE STATEMENT THAT THE US PROPOSAL OF APRIL 5 LEFT 60 PERCENT OF EC CHEESE EXPORTS TO THE US FREE FROM THE THREAT OF COUNTERVAILING DUTIES. ACCORDING TO HIS FIGURES, 1974 EC CHEESE EXPORTS TO THE US AMOUNTED TO 65,000 TONS. THE COMMISSION HAD ALREADY SUSPENDED RESTITUTIONS ON CHEDDAR (13,000 TONS), COLBY/MONTEREY (13,000 TONS), AND DANISH BLOCK (5,000 TONS), FOR A TOTAL OF 31,000 TONS OR 48 PERCENT OF EC EXPORTS. THE COMMISSION PROPOSAL OF APRIL 11 WOULD END RESTITUTIONS ON 8,000 TONS OF LOWER GRADE EMMENTHALER/GRUYERE, BRINGING THE TOTAL TO 39,000 TONS OR 60 PERCENT OF TOTAL EXPORTS. THE US WAS NOW ASKING THAT THE RESTITUTIONS ON AN ADDITIONAL 4,000 TONS OF TABLE GRADE EMMENTHALER/GRUYERE BE ENDED, WHICH MEANT RESTITUTIONS WOULD BE REMOVED FROM 43,000 TONS, OR 66 PERCENT OF THE 65,000 TONS TOTAL. HE WONDERED WHETHER, IF CONGRESS SAW AND THE DAIRY INDUSTRY KNEW, THESE FIGURES, HOW THEY WOULD REALLY FEEL.

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B. SOAMES DID NOT THINK THE COMMISSION PROPOSAL FOR DIFFERENTIATING BETWEEN HIGH AND LOW GRADE EMMENTHALER/GRUYERE WAS UNWORKABLE. THE COMMISSION HAD THOUGHT ITS 12 PERCENT PRICE GAP PROPOSAL WAS WORKABLE; WHEN THE USG THOUGHT IT WAS NOT, THE COMMISSION HAD DEVELOPED THIS NEW SCHEME WHICH IT WAS SURE WAS WORKABLE. SOAMES NOTED THAT THE ONUS FOR POLICING THE NEW SYSTEM WAS COMPLETELY ON THE EC, NOT THE US. THE COMMISSION

WOULD BE HAPPY TO DISCUSS WITH US OFFICIALS HOW IT
WOULD RUN THE SYSTEM. BUT HE QUERIED THE OPERATIONAL
MEANING OF THE REFTEL STATEMENT THAT "IT IS NOT POSSIBLE FOR
US TO DISTINGUISH SATISFACTORILY BETWEEN EMMENTHALER
AND GRUYERE FOR PROCESSING AS OPPOSED TO TABLE USE."

C. IN FACT, THE TONE OF THE US MESSAGE MADE HIM WONDER
WHETHER WORKABILITY OF THE EC SCHEME WAS THE REAL
PROBLEM. HE HAD THE IMPRESSION THAT EVEN IF IT COULD
BE DEMONSTRATED THAT THE EC SCHEME WAS WORKABLE, THE
US ADMINISTRATION WOULD NOT, BECAUSE OF DAIRY INDUSTRY
PRESSURES, BE ABLE TO AGREE.

5. IN CONCLUDING HIS RESPONSE, SOAMES SAID HE WAS
AMAZED THAT AFTER THE DISTANCE THE EC HAD
GONE TO MEET THE US, OFFERING TO SUSPEND RESTITUTIONS
ON 60 PERCENT OF ITS CHEESE EXPORTS TO THE US, THE
ADMINISTRATION DID NOT FIND THE EC OFFER SATISFACTORY.
(HE WAS IMPRESSED BY THE FACT THAT MEMBERS OF CODEL
ROSENTHAL HAD STATED TO HIM THEIR ASTONISHMENT THAT
THE ADMINISTRATION WAS UNWILLING TO SETTLE THIS ISSUE
ON THE BASIS OF THE EC OFFER, AND HE EXPRESSED
SKEPTICISM ABOUT THE CHANCES OF A CONGRESSIONAL OVER-
RIDE OF AN EXERCISE OF DISCRETION BASED ON
THE EC OFFER.)

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INFO OCT-01 ISO-00 AGR-05 TAR-01 L-02 H-02 SP-02 AID-05

EB-07 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01

CEA-01 SSO-00 NSCE-00 USIE-00 INRE-00 PRS-01 /065 W

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC NIACT IMMEDIATE 8658

INFO ALL EC CAPITALS IMMEDIATE 538

AMEMBASSY MOSCOW IMMEDIATE

LIMITED OFFICIAL USE SECTION 2 OF 2 EC BRUSSELS 3272

MOSCOW FOR SECY, SIMON - PARIS FOR UNDER SECY ROBINSON & ENDERS

6. AFTER HEARING SOAMES' REACTION, AMB GREENWALD AGAIN URGED ACCEPTANCE OF THE US PROPOSAL, STRESSING THE IMPORTANCE OF THE PRINCIPLE INVOLVED. HE POINTED OUT THAT THE BASIC ISSUE OF SUBSIDIES/COUNTER-VAILING DUTIES WOULD HAVE TO BE RESOLVED IN THE MTN. THE ESTABLISHMENT OF THE INJURY PRINCIPLE IN THIS CASE WOULD BE HELPFUL IN THE BROADER NEGOTIATIONS, AS WELL AS IN FUTURE COUNTERVAILING DUTY CASES UNDER THE PRESENT SYSTEM. SOAMES ACCEPTED THE GENERAL POINT, BUT SAID THE INJURY DEMONSTRATION WAS AT THE LEAST DUBIOUS IN THE CHEESE CASE, PARTICULARLY WHEN IT IS NARROWED DOWN TO 4,000 TONS OF HIGH PRICED EMMENTHALER/GRUYERE. THIS MIGHT BE ESTABLISHING AN UNDESIRABLE PRECEDENT FOR FUTURE DISCUSSIONS.

7. WE ASKED SOAMES HOW THE COMMUNITY WOULD HANDLE THE LATEST US DEMARCHE. HE SAID, FIRST, THAT HE FELT THE ADMINISTRATION DID NOT REALIZE THAT THE CONSTITUTIONAL DECISIONMAKING POWER IN THIS CASE RESTED WITH THE COMMISSION, NOT THE MEMBER STATES. THE FULL COMMISSION HAD, THIS PAST WEEK, CONSIDERED AND REJECTED THE US LIMITED OFFICIAL USE

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APRIL 5 PROPOSAL AND DEVELOPED ITS APRIL 11 COUNTER-PROPOSAL. HE HAD, IN HIS TELEPHONE CALL WITH ORTOLI, URGED THE LATTER NOT TO RAISE THIS ISSUE WITH THE NINE FOREIGN MINISTERS AT THEIR DUBLIN MEETING HIS WEEKEND SINCE THEY WERE NOT BRIEFED.. HE AND ORTOLI WILL BE GETTING TOGETHER FOR LUNCH ON MONDAY, APRIL 14, PRIOR TO THE LUXEMBOURG COUNCIL MEETING. SOAMES WILL PROPOSE THAT THE CHEESE ISSUE BE DISCUSSED IN THE RESTRICTED (MINISTERS ONLY) PART OF THE COUNCIL MEETING. HE WILL RECOUNT THE HISTORY OF THE PROBLEM STARTING WITH JULY 1974, WHEN THE EC SUSPENDED RESTITUTIONS. HE WILL SAY THAT ON MARCH 26 THE COMMISSION MADE AN OFFER WHICH, HE HAD THE IMPRESSION, WAS VIEWED AS A REASONABLE ONE BY THE US NEGOTIATING TEAM. WHEN THE COMMISSION WAS INFORMED BY THE USG THAT THE OFFER WAS NOT ACCEPTABLE, THE COMMISSION HAD MADE YET ANOTHER PROPOSAL, ON APRIL 11. THE USG HAD RESPONDED THAT THIS PROPOSAL WAS "UNWORKABLE," BUT IN HIS VIEW THE USG REALLY MEANT IT COULD NOT SELL THE PROPOSAL TO THE DAIRY INDUSTRY. THE FINAL COMMISSION PROPOSAL WAS EMINENTLY REASONABLE AND SHOULD NOT BE AMENDED. THE COMMISSION POSITION WAS, THEREFORE, THAT THE US APRIL 5 PROPOSAL REITERATED APRIL 12, SHOULD NOT BE ACCEPTED.

8. SOAMES NOTED THAT, REGRETTABLY, HE WOULD HAVE TO LEAVE LUXEMBOURG APRIL 15 EN ROUTE TO MEXICO. HE WOULD THEREFORE NOT BE ABLE TO ATTEND THE APRIL 16 COMMISSION MEETING, AND HE HINTED THAT THE US RESPONSE TO THE COMMISSION'S APRIL 11 PROPOSAL WOULD STRENGTHEN THE HANDS OF THOSE IN THE COMMISSION, WHO WERE LESS INCLINED TO LEAN OVER BACKWARDS TO AVOID CONFRONTATION WITH THE US.

9. ACTION REQUESTED. SOAMES ASKED DURING OUR MEETING FOR DETAILED BACKUP FIGURES FOR THE US ASSERTION THAT THE APRIL 5 US PROPOSAL WOULD ALLOW THE EC TO MAINTAIN RESTITUTIONS ON 60 PERCENT OF EC CHEESE EXPORTS TO THE US. HE LATER HAD FIELDING TELEPHONE US TO REITERATE THIS REQUEST, AND TO SPECIFY THAT THE COMMISSION WOULD LIKE TO HAVE THESE FIGURES FIRST THING MONDAY MORNING LIMITED OFFICIAL USE

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APRIL 14 -- BEFORE THE AFTERNOON COUNCIL MEETING. THE MISSION REQUESTS A RESPONSE, SLUGGED NIACT IMMEDIATE, BEFORE 9.00 A.M., BRUSSELS TIME, MONDAY. GREENWALD

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Disposition Event:
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